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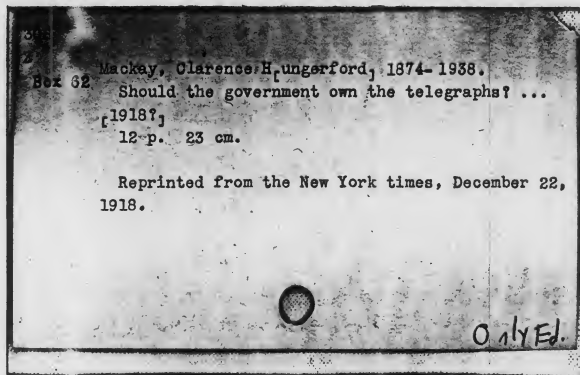
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SHOULD THE GOVERNMENT
OWN THE TELEGRAPHS?

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By

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(Reprinted from the *New York Times*, December 22, 1918.)

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SHOULD THE GOVERNMENT OWN THE TELEGRAPHS?

by

CLARENCE H. MACKAY

President of the Postal Telegraph-Cable Company

An article by the Postmaster-General, Mr. Burleson, in the *American Review of Reviews* for December, 1918, strongly advocating Government ownership and operation of telegraphs in accordance with his recommendation in his annual reports in the past as Postmaster-General, raises the question very sharply, now that the Postmaster-General has actually seized the telegraph lines under the war power of the Government, even though he has to return them when the treaty of peace is signed. Mr. Burleson's argument is cheapness of rates; any deficit to be paid by taxation. Is that argument sound?

USE OF TELEGRAPH LIMITED

The telegraph differs from every other public utility, in that the telegraph is not used by the great majority of people. Farmers use it very rarely. The laboring classes use it little, if at all. The clerical classes have little occasion to use it, and even the social use of the telegraph is negligible. One of the great telegraph companies states that only three or four per cent of its entire telegraph business is from these classes. Over 70 per cent of the entire telegraph business of the United States originates in forty cities, these being the large commercial cities of the country, the population of which represents 20 per cent of the total population of the country. The fact is that the telegraph is a commercial agent, almost exclusively, and its expense is a part of the cost of the business of the banker, broker, manufacturing and mercantile classes. Hence any attempt to give them cheap telegraph service at the expense of the tax-payer is unfair and discriminatory.

Post Office locations are selected with a view to serving the whole population of each city, town and locality, and in most cases are not located to serve that part of the public that uses the telegraph in its business; and Mr. Burleson's idea, that the public must come to the Post Office to transact their telegraph business, no matter where those offices are located, will not appeal to those

who in the rush hours of the day must conserve their time and the time of their employees.

The banker, broker, manufacturer or merchant wishes quick and accurate telegraph service, and does not want slow telegraph service or inaccurate service. He is willing to pay a fair price for his telegrams, and he considers the present telegraph rates as fair. He does not wish or expect to get cheap telegraph service at the expense of speed and accuracy, and especially so to get this cheap service at the expense of the tax-payer. He is not interested in this movement for Government ownership and operation. Neither is the tax-payer in its favor; nor are the great mass of people, who do not use the telegraph at all, and would not use it even if the charges were less. Hence I see no occasion for the Government interfering with the present competitive system.

OUR TELEGRAPH RATES CHEAPEST IN THE WORLD

In Europe the Governments own and operate the telegraph systems, but instead of their telegraph rates being cheaper than the American rates, they are higher—to say nothing of the well-known inefficiency of the telegraph service throughout Europe. I have yet to learn of a business man who has traveled abroad and who does not hold this view. Telegraph rates in the United States are the cheapest in the world. This is not generally understood, because the published rate abroad seems cheap until one ascertains that every word in the address, signature, etc., is charged for, as well as every word in the body of the message. In the United States only the words in the body of the message are charged for. Now, in the United States there are fourteen words on the average in the address, signature, etc., in a telegram, in addition to the words in the body of the message. The following table gives the comparative toll on telegrams of equal length:

	Average Charge for a Domestic or Intrastate Telegram Containing Ten Text Words
France	\$0.20
Norway20
Sweden25
Great Britain30
Germany30
Italy30
Denmark30
Austria25
United States25 to .30

The above rate at 25 cents or 30 cents for telegrams in the United States is between two points in the same State, the dis-

tance being about the same as between two points in any foreign country. When we come to telegrams in the United States for longer distances the only comparison that can be made with European rates is telegrams in Europe between different countries, on account of the long distances traveled by the average long-distance telegram in the United States: For instance, from Paris to Vienna is about 650 miles, and the cost for a ten-word message, plus the address and signature charged for, is 96 cents, as against only 40 cents, address and signature free, for a similar distance in the United States. From Stockholm to Paris (1,000 miles) the rate for a ten-word message, plus the address and signature charged for, is \$1.20. From New York to Chicago, about the same distance, the rate for a ten-word message, address and signature free, is 50 cents.

CONVENIENCES DENIED IN EUROPE

In addition to the above there are other advantages of the American system. The American telegraph companies send messengers to collect and deliver telegrams and maintain call-box systems. The American companies keep open accounts for their customers and keep offices in hotels, apartment houses and competitive offices in all parts of large cities. The European governments do nothing of this kind. There the telegram must be taken to the telegraph office; the sender cannot run up an account; he must prepay the charges, and may have to go a long distance before finding a main or branch office.

American business supremacy is based upon the despatch and facility with which things are accomplished. The American business man will never consent to the substitution of European methods of handling telegraph correspondence as now proposed by the American Postmaster General. Here, the business man prepares a batch of telegrams and cablegrams, rings for a company's messenger by means of a convenient call-box installed free of charge by the Company and dismisses them from his mind. Competition insures their prompt transmission under a charge account. In Europe the business man must first reckon the cost of his messages, send one of his employees to a post office with them or go himself, the postal clerk calculates the charge—when he finds time—you purchase stamps and affix them yourself, hand messages back to the postal clerk and trust to Providence that they will reach their destination in an intelligible manner. Complaints are met with a shrug of the shoulders.

The National Association of Public Service and Railroad Com-

missioners of the various States at a convention held in San Francisco, October 12, 1915, received a report of its Committee on Telephone and Telegraph Rates and Service containing the following:

"As far as this Committee is informed, there seems to be no complaint on the part of the public as to the service and rates of telegraph companies."

CHEAPER RATES WOULD NOT INCREASE USE

Mr. Burleson thinks that cheap telegrams would increase their use by the great mass of the people. He gives no reason for thinking so. Nobody uses the telegraphs for transmitting communications unless those communications are more or less urgent, and a cheap telegraph service would not appeal to the great mass of people because their communications are not of an urgent nature. They probably would not use the telegraphs to any greater extent at the 15 cent rate than they do now at the 25 cent rate. The telephone has displaced the local use of the telegraph; in other words, has displaced telegrams between towns not far distant.

The telegraph, in the course of trade, and by the competition of the telephone, has become more or less restricted to the use of the banker, broker, manufacturer and merchant in carrying on commercial transactions, and they do not want the telegraph service injured by cheapness, slowness or inaccuracy. The great mass of the public are not interested at all in the subject, excepting, of course, that they do not wish to have their taxes increased. Is the tax-payer to be ignored?

BRITISH GOVERNMENT FINANCIAL LOSS

In Great Britain some forty years ago the British Government bought the telegraphs and paid about \$50,000,000 for them. For two years, namely, 1870 and 1871, the Government made a small profit after charging interest on the debentures issued for the purchase, but since that time there has been an annual deficit after providing interest. In a speech in the House of Commons on April 30, 1914, Postmaster-General Hobhouse, of Great Britain, said that within the last forty years the telegraph expenditures of the British Government exceeded the telegraph receipts by \$110,000,000, not including interest on the original purchase money nor interest on the annual losses, nor any provision for amortization. If these were included the loss would have been \$200,000,000. The annual loss is shown by the following table:

Year Ending March 31	Receipts	Actual Operating Expenses
1908.....	\$15,516,805	\$17,542,840
1909.....	15,492,260	18,301,270
1910.....	15,827,745	17,995,399
1911.....	15,840,935	18,478,075
1912.....	15,747,420	18,786,840
1913.....	15,881,635	17,620,250
1914.....	15,591,080	17,545,050
1915.....	17,094,770	18,570,990
		Total Annual Loss, Including Interest Paid and Fresh Money Expended
Year Ending March 31	Operating Loss	
1908.....	\$2,026,035	\$4,847,425
1909.....	2,860,010	5,233,785
1910.....	2,167,645	5,246,065
1911.....	2,648,040	5,033,365
1912.....	3,039,420	5,340,740
1913.....	1,738,615	5,876,735
1914.....	1,953,970	6,058,710
1915.....	1,476,220	6,164,775

As late as February 21, 1916, a committee appointed by the British Government to look into the question of retrenchment in the public expenditure, reported on the Government-owned telegraphs as follows:

"The history of the Telegraphs is most unsatisfactory. They were taken over in 1870 at a cost (including capital expenditures on extensions) of £10,120,687 (\$50,648,435) in the anticipation that they would yield a profit to the State. After the second year of post office management the profit failed to cover interest on the capital outlay. Year by year the financial position has grown worse. In recent years the loss upon working has not been less than £1,000,000 (\$5,000,000) a year, and this loss includes nothing for interest due to the State upon the aggregate losses of previous years."

If the British Government had left the telegraphs in the hands of private individuals, the rates would have been just as reasonable as now and the Government would have avoided the loss of not only about \$200,000,000, but also of the taxes which it would have been receiving from the private companies, and the interest on both of these sums, and the public would have been receiving a much improved service.

Major W. A. J. O'Meara, formerly Engineer in Chief of the British Post Office Telegraphs, in referring to the question of Government Ownership of Telegraphs, writes as follows:

"Since the outbreak of the war the public has been brought into close contact with Government departments at many

more points than was previously the case; the result, judging by the attitude of the commercial community, seems to have been to strengthen, rather than to weaken, its opposition to governmental control of matters of vital interest to the industries and commerce of the country—in this category cable communications naturally fall."

OVERHEAD CHARGES NEGLIGIBLE QUANTITY

Mr. Burleson states that at present the public pay overhead charges of the two telegraph companies, and also dividends on their capital stock. As to the dividends, they are reasonable, and the Government would have to pay the interest on the purchase price, and this would be a substitute for dividends. As to the overhead charges, the question at once arises whether the overhead charges of the two companies would compare for an instant with the increased operating expense if the Government should undertake the operation. The so-called overhead expenses referred to by Mr. Burleson is the expense of supervision over the operations of a telegraph company, and this expense in the case of one of the largest telegraph companies is only about 2 per cent of its receipts. Competent supervision by experienced managers whose salaries go to make up the overhead expense is more than offset by the economies offered by them in the cost of handling the traffic. No one who is familiar with the results of Government operation of anything, will doubt for a moment that the overhead charges of the present two telegraph companies would be a drop of water as compared with the flood of increased operating expenses if the Government ever acquired and operated the telegraph lines.

Furthermore, it is a well known fact that the lines of the two telegraph companies are filled to capacity during the business hours of the day, and that the trunk lines are well occupied during the night, so that this disposes of any question of duplication of facilities.

COMPETITION VERSUS MONOPOLY

After all, the main question is whether competition in telegraph service is wanted or not. Government ownership and operation means a monopoly. Continuation of the present two telegraph companies means competition. Competition means keen rivalry in service. It means efficiency. It means constant improvement of equipment. It means a greater desire to please, and more courteous treatment of the public.

If the American people prefer to take the chances of inefficient

Government telegraph service, and the chances of getting a lower telegraph rate to be made up largely by taxation, and to take the chances of the telegraph systems being turned into a political machine for the benefit of the party which may happen to be in power, then Government ownership and operation of telegraphs will come. If, on the other hand, the public come to realize that the telegraph service differs from every other kind of public utility, in that telegraph service is a commercial instrument practically for commerce alone, and is not used and would not be used, even under Government ownership, by the great mass of the people, and that any reduction in telegraph rates would be followed by taxation to make up the deficiency, and that the telegraph systems would certainly become political machines, and that the service itself would inevitably deteriorate in speed and accuracy by the Government management, then there is little probability of Mr. Burleson's idea being adopted by the American people.

DANGERS OF POLITICAL CONTROL

The American public are keenly suspicious of political influences controlling the wires for partisan purposes, and one of the most disastrous things that could threaten our free institutions, and which would aim at the very foundations of the Government itself, would be to allow the channels of communication, whether telegraph, telephone or cable, to be brought under political control. Without a free telegraph you cannot have a free press, because the telegraph is the feeder of the press. Any proposal, therefore, that the Government take over the telegraphs might just as well embody a proposal to have the press controlled by the Government.

Where there are two separate and distinct companies, with absolutely no union of interest, fiercely competing for the telegraph business of the country, this danger of political control is removed, and thus is far superior and far more desirable, from the standpoint of the national welfare, than a Government-owned telegraph system under the domination of a political administration.

It is not such a far cry back to 1884, when the result of the contest between Cleveland and Blaine hung upon the close vote in New York, and the belief that the returns were held up by the Western Union Telegraph Company nearly precipitated a riot in New York. A similar situation might have arisen in the last Presidential election, which was not decided for several days,

had the telegraphs been in the hands of either a Government or a private monopoly.

One of the most potent examples of the danger of Government ownership is Germany. The German Government either owned or controlled all the agencies and avenues of intelligence which entered most into the daily life of the people. The result was a condition where the people were gradually brought under the control of an oligarchy which held the life and destiny of the nation in its hands, to do with it as it chose. If we do not want a repetition of such a condition in the United States we will avoid Government ownership, especially of the lines of communication.

(From New York Times, Dec. 16, 1918)

MACKAY ACCUSES BURLESON OF PLOT

Cable Seizure, He Says, Is Part of Scheme to Bring About Government Ownership—In Hands of Rivals Now—"We Are in This Fight to a Finish," Says President of the Mackay Companies

On the eve of an important legal conference, which will be held to-day between officials of the Commercial Cable Company and counsel, Charles Evans Hughes and William W. Cook, to determine the next step in the fight to check Postmaster General Burleson's control of the cables, Clarence H. Mackay, President of the Mackay Companies, issued a statement yesterday. Mr. Mackay said:

"On my return to New York last night I learned of the removal by Postmaster General Burleson of George G. Ward, William W. Cook and myself from the direction of the operation of the lines of the Commercial Cable Company. A few days ago he removed Edward Reynolds as General Manager of the Postal Telegraph lines. More startling still, Mr. Burleson has turned over our entire cable system, including five cables across the Atlantic and the 10,000-mile cable from San Francisco to China, Japan and the Philippines, a cable from New York to Cuba and a cable from New York to Haiti, to our competitor, the Western Union Telegraph Company, which owns no cable lines whatsoever (except a few short cable lines from Florida to Cuba), but merely leases some cable lines in the Atlantic Ocean.

"Mr. Burleson has also called in as his adviser Theodore N. Vail, who caused the Bell Company in 1909 to acquire control of the Western Union and then proceeded to wage unscrupulous

warfare on our land and ocean systems until stopped by the Attorney General of the United States, who forced these two companies apart. I see now that Mr. Burleson has appointed a new committee to control all wire communication—cable, telegraph and telephone—namely, Union N. Bethel, of the Bell Company; Mr. Stephenson, of the Bell Company; A. M. Yorke, of the Western Union, and F. S. Adams, of the Kansas City Telephone Company. In other words, the Western Union and Bell Telephone interests are in the saddle.

"All this I consider a part and parcel of a widely spread plot to bring about Government ownership of all wire communications, and incidentally enable the Western Union and Bell Telephone Companies to sell out to the Government at a high price. My companies have opposed Government ownership for years at all times and still oppose it. Hence we are marked for annihilation, with no delicate processes in the way of bringing it about. We will see about that.

"The course of events is significant. Last spring the Telegraphers' Union suddenly developed activity. The differences between the union and the companies were finally referred to the President of the United States, and in a personal letter to both Mr. Carlton, the President of the Western Union, and to myself he requested us to carry out the mandate of the Labor Board. The Postal Company promptly complied with the President's request. The Western Union refused. The union threatened a strike. The strike did not materialize.

"Then in a vague way the proposition was presented to Congress to pass a joint resolution authorizing the taking over of the telegraph, telephone and cable lines. The Senate was assured that passage of the resolution would not be followed by action unless circumstances changed. The resolution was passed on that understanding, and immediately the telegraph and telephone lines were taken over, and later, five days after the armistice had been signed, the cable lines were seized. The compensation of the Western Union and Bell Telephone for the use of their telegraph and telephone lines was fixed by the Postmaster General at an extremely high figure. The compensation of the Postal Telegraph-Cable Company was fixed at about two-fifths of what that company actually earned last year.

"Then came the removal of Mr. Reynolds as manager of its lines, and now comes the removal of Mr. Ward, Mr. Cook and myself from the management of our cable lines, which have been turned over to our competitor, the Western Union, with which

company we have been in a competitive war for thirty-four years—ever since our existence. At the same time, a resolution is introduced in Congress by the Chairman of the Post Office Committee in the House for Government ownership of telegraphs and telephones.

"These are facts, and I think they show clearly the purpose of it all, namely, Government ownership for political purposes, with incidental high prices to the Western Union and Bell Telephone Companies for their properties. And this in America! I don't believe it will succeed.

"Only last night I was reading a book, just published by Max Farrand, Professor of History at Yale University, entitled "Development of the United States," in which he says that one of the causes leading to the trouble with President Johnson was the stubbornness of Johnson in regard to the continued exercise of excessive executive power. Professor Farrand says (p. 235): 'It would seem as if the members of Congress were instinctively right in opposing the overwhelming power of the President which had grown up in war times.'

"In a way, that is the situation to-day. The seizing of the cables after the armistice had been signed was an unwarranted use of war power after the war had ceased. It falls to our lot to be on the firing line. The contest is a much broader one than the mere seizing of the cables. It is a contest to restrict the exercise of executive powers to constitutional limits. In addition, our grievance is aggravated by gross injustice and discrimination. However, we are fighting the battle for the public as well as ourselves, and the principle involved is vastly more important than our losses. We are in this fight to a finish."

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